



Auctions and Deductions

(The following applies only to fundraising of a branch with 501(c)(3) status or fundraising of all branches for AAUW Funds. It also applies to purchasers if their checks are made payable to AAUW CA SPF. Information provided here follows IRS Publication 1771: Charitable Contributions – Substantiation and Disclosure Requirements. Also, see IRS Publication 526 for detailed rules of donating property.

Generally, when someone donates a good to a nonprofit organization for an auction, that person may claim only the lesser of the amount she actually paid for the item or the current fair market value from her taxable income. The event organizers must provide a receipt to donors of every auctioned item, confirming the nonprofit is a tax-exempt organization and stating what goods or services were donated. The receipt should also confirm the value of the gift as stated by the donor. The donor is responsible for substantiating that value if they claim it as a tax deduction. Donors should be advised that a contribution deduction is never allowed for donation of services. A deduction is also not allowed for the donation of use of a property (e.g., a week at a beach condo).

The auction organizers must determine the fair market value of each good or service before the auction takes place. This may or may not be the same as the fair market value stated by the donor. The fair market value must be made known to the bidders in advance of or at the time of the auction.

People who purchase items at a charity auction may claim a charitable contribution deduction for the excess of the purchase price paid for an item over its fair market value. Any bidder who pays more than the fair market value, as established prior to the auction, for a good or service is entitled to a receipt for their contribution. The contribution is determined as the amount paid minus the fair market value of an item. The organizers should provide receipts showing this contribution to all bidders who pay over the fair market value of the item. The receipt should clearly show the fair market value and the purchase price.

Example of a receipt to a “winning” bidder:

RECEIPT

AAUW Name Branch

Name of Event - Date

AAUW Funds

Washington DC



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Name of Bidder

Address

Address

Purchases:

Fair Market

Item #	Item Name	Value	P.A.V.	Sale Price
15	M.A. Hadley Farmhouse Collection	\$218.00	\$0.00	\$123.00
136	St. James Winery Award Winning Wine Basket	\$100.00	\$54.00	\$154.00

Total Paid Above Value (Charitable Donations): \$54.00

Thank you for your contribution to AAUW Funds. The difference between the total payments (your contribution to AAUW Funds and the value (any goods or services provided in exchange) may be tax-deductible as a charitable donation. Consult your tax advisor for guidance.

AAUW Name Branch Contact: Name, Phone #, E-mail

California Sales tax may be due on items purchased at auction. For more information see <http://go.microsoft.com/fwlink/p/?LinkId=255141>